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The JOURNAL of ACCOUNTANCY

Official Organ of the AMERICAN INSTITUTE OF ACCOUNTANTS

A. P. RICHARDSON, *Editor*

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EDITORIAL

Professions in Danger of Losing Men

One of the dangers which confront all professional offices at the present time is the apparent necessity of reducing the number of employees and thus depleting the strength and efficiency of the organization for future activity. It is not like the condition which exists in industry. There the men who are discharged will sooner or later be reemployed and it does not make much difference whether the same men come back to a factory or not. Skilled workers of all kinds will find their opportunities in the industry, and while there may be a shuffling of the personnel the strength of each respective unit will not be much affected in the long run. In professional work, however, there is a distinct difference. Take accountancy as an illustration. The work of each office differs somewhat from that of every other office and the men who have been on the staff for some time have acquired an intimate knowledge of the methods, purposes and principles which prevail there. Now comes the time of depression and many of these men are not needed for the work which actually offers at the moment. If they are discharged they can not be expected to remain idle waiting for reemployment in the same office. They must go out and find what they can find in order to earn a livelihood. The result of this condition will be that many of these men will find employment in private capacities and they will be permanently removed from the lists of professional accountants. This is a real problem, and the effect of the present conditions will be felt in the near future.

**Efforts To Meet
the Difficulty**

The reality of the difficulty is known to accountants. The heads of firms are doing their utmost to retain as many men as they can possibly keep on the pay-roll so that when the expected resumption of activity occurs there may not be an inability to cope with it. But there are limits to every firm's capacity to absorb idle time. No firm can be expected to engage in prolonged philanthropy when the cost of it is ruinous. It would be ideally perfect if every firm could employ all its men in good times and bad, but that, of course, is impossible. Many firms are making sacrifices to retain the right to the services of their best men and the cost in the aggregate is colossal. Other firms have adopted the principle of part-time employment. There have been forced vacations without pay and three-day-week expedients and various other ways of reducing the total pay-roll, but all of them have the same undesirable factor of discontent. No man who has worked at, let us say, \$100 a week feels particularly joyful to be engaged at \$50 a week, even if he is given half of his time to do with as he will. The man who has been receiving \$30 a week can not exist, except in grinding poverty, on \$15 a week. It is logical to expect, therefore, that the men whose salaries have been cut down may not say much about it, but they will surely go out and seek for other fields of effort wherein they can earn what they consider a decent living. Naturally the men who have been thrown out entirely will be the most eager to find other employment, but all who are affected by wage cuts will join the ranks of those who are out looking for something else to do.

**Employees Are Often
Desperate**

This is a condition which affects lawyers, engineers, architects, accountants and other professional practitioners, and it is felt most seriously in the large offices. There are other firms which employ comparatively small numbers of men and are able to carry on without reducing the staff. Individual practitioners, of course, may find their incomes severely affected by lack of work, but their employees are usually few. There seems to be no answer to the problem. The depression is probably past its worst and people generally are talking in a more hopeful tone than they have adopted for a long while. But still it will be some time before professional activity is fully resumed. The chances are that the accountants who are thrown out of em-

ployment at present will succeed in finding something worth while to do and they will hesitate to reënter a profession which has once left them stranded. It has been so long since there was a period of hard times like the present that the moral effect of it is greater than the actual cause justifies. People become desperate and are apt to forget that the time of prosperity will return. If a man who has been employed for ten years at a comfortable salary in accountancy, and has built up a home and spent practically all he received in an attempt to establish himself in life, now finds himself without employment or income he will be inclined to damn the vocation which he has followed and firmly resolve forever to avoid it.

**Can Activity be
Stimulated?**

There is nothing that the accountant can do to increase the volume of professional work. We have received a suggestion that it might be desirable for accountants to cut their fees so as to attract practice, but this is a foolish proposal. In the first place, accountants' fees never have been very high except in a few individual cases, and when prosperity returns they will not seem high. As a matter of fact, while there are clients who always criticize every account for fees, most men do not question the accountant's charges. It is extremely doubtful if a reduction of fees would have any substantial effect other than to set a new standard of compensation which would not meet the requirements and from which it would be difficult to depart when business had resumed its onward way. Furthermore, the client does not demur at the amount of a fee. At present he avoids all fees and lets his accounting work remain undone pending the coming back of better times. An ingenious soul with a sense of humor has suggested that one way out of the present difficulty would be to offer to perform audits on the instalment plan very much as some of the sales of merchandise are effected. Probably this proposal would involve an offer to a client to perform the audit of his accounts and to allow the fee to be spread over a year, at so much a month, with or without interest. A good many accountants who are having difficulty in collecting their fees (and few have not) say that the instalment plan is now in effect without consent. Most clients are now paying a little here and a little there and taking a long while to complete the amount. This same ingenious person also suggests that there might be cash

discounts to hasten the payment of fees. That might help at present, but what of the future? Cash discounts are well enough in their way, but they set a hazardous precedent.

**At the Threshold
of the Profession**

Somewhat in a spirit of idle pleasantry, we published in *THE JOURNAL OF ACCOUNTANCY* for June an anonymous letter which poured out the vials of its wrath upon the accounting profession in general and certain prominent members of the profession in particular. It did not seem probable that anyone would regard the letter seriously. Like the purpose of the Mikado we intended to make the letter,

“Unwillingly represent
A source of innocent merriment!
Of innocent merriment!”

but several comments which have been received indicate that the letter attracted a certain amount of attention, and serious attention at that. As an illustration we quote the following:

“In the editorial department of *THE JOURNAL OF ACCOUNTANCY* I read with some surprise the bombastic letter written by an irate ex-subscriber giving his forceful views on the matter of how the younger accountants are received into the accounting profession. Not being a member of the American Institute of Accountants, or for that matter even a practising accountant, I doubt whether I should say anything about this. However, I am a student with one more year to complete my course in accountancy and soon I will be ready to try for a place in the American Institute of Accountants, as well as try for the local C. P. A. examination.

“It may surprise you to know that there are many accountants (mostly young and inexperienced) who think along the same line that the author of the anonymous letter does. I have steadfastly refused to believe that the accountancy profession looks upon the young, new accountant with hostile eyes. I have also refused to believe the accusations made by the writer of the nameless letter. As I have said before, there are many young men who believe just what is alleged. Now, whom are we to believe, we young men who will soon enter the field of accounting? What is the true status of the new accountant? I have always looked upon the American Institute of Accountants as being a body of men working together in the best interests of the profession, and always seeking to help the inexperienced young man in getting started in the accounting profession. I have always looked upon the great national firms of certified accountants as being friendly to the young accountant and always willing to give the young inexperienced men a chance to get a start.

“After reading the letter in *THE JOURNAL OF ACCOUNTANCY*, I would like to ask a favor of you. On behalf of the thousands of young men (and women) in the United States today who are studying accountancy and who will soon enter the professional field, I am going to request that you publish an article in *THE JOURNAL OF ACCOUNTANCY* giving your views on this matter that the nameless writer has written about, and tell us just what we may expect when we enter the professional field, and how we should prepare ourselves. I am sure such an article would be widely appreciated.”

**Employer and
Employed**

No doubt there are many men who are anxious to know the answer to the questions which our correspondent propounds. What may the young man entering accountancy expect and how is he to prepare himself so that he may obtain the most success in his chosen calling? It is a large question and one that can not be fully answered within the narrow limits of editorial notes. The Institute has given a great deal of attention to the problem and its bureau for placements has prepared a pamphlet which describes what is believed to be the actual condition. There is, of course, a difference in the treatment accorded young men in different offices, but it is safe to say that in most offices the heads of the firms are much concerned with encouraging the younger men. Every employer of labor knows the importance of having available men who can undertake the work which is to be done. He would be a fool, indeed, who would entertain a hostile spirit toward his employees or potential employees. In a professional office such as that of a lawyer, an engineer, an architect or an accountant there is a much closer bond between the employer and the employed than there is in a shop or factory or even an ordinary office. In the professional office, employer and employed are members of the same profession. They are all presumed to be men of education and training, and their relative importance in the organization is not so serious a question as it is elsewhere. All are working presumably toward a common end, namely to render professional service in a professional way, and there is no room for such enmity as some who have been disappointed in accountancy seem to believe. As a general rule, it is safe to assume that the man who has a dour outlook on life has gone through some experience which has not been flattering to him. Scores of men have ambitions to become accountants and other sorts of professional men but when they attempt to fulfill their ambitions they find that they are ill suited and, of course, can not succeed.

**Some Men Are Not
Accountants**

It seems that accountancy is more afflicted by incompetent aspirants than any other profession. Perhaps this is because the true nature of accountancy as a profession is not recognized widely and people believe that all they need to do is to study a little, grasp the fundamentals of bookkeeping and

blossom forth as accountants. They overlook the essential qualifications: analytical mentality, integrity, personality and refinement. Lacking one or more of these qualifications they attempt to thrust themselves in where there is no room for them. On the other hand the young accountant who has the proper stuff in him will not be disappointed and will find a future illuminated with bright light. Naturally in a time of depression such as the present there is no great demand for new employees, but such conditions do not last and when the period of mourning is over we shall go forth to new and greater activity. Then there will be openings for all the young men who have the proper training and possess the qualifications which are prerequisite. The bureau for placements of the Institute interviews scores of young men in their senior year of college or immediately after graduation. Some who profess a fondness for accountancy are merely groping above their heads to reach something by which to climb. They are not in demand. But the young men who know what they want and why they want it are not kept waiting, except in such rare instances as occur in times of financial depression. It is probably true that the sudden accession of wealth which came to many accountants during the festive days from 1925 to 1929 will not return. Instead we may expect a steady and much healthier growth of professional work, accompanied by a return of a good livelihood to all who truly belong to the profession.

**Meaningless Forms
of Language**

The attention of accountants has been directed lately to the expression "in accordance with the books." Courts, counsel and litigants have been much concerned with the problem which arises in interpreting the expression, "I certify that the accounts are in accordance with the books" or words to that effect. To begin with, it is dangerous to affirm that the accounts are in accordance with the books because it is quite possible that somewhere hidden away in a remote page of a ledger there may be an entry which is not reflected in the published accounts, and if there be even so small a matter as a cent misrepresented in the accounts there may be lawyers who will affirm that a statement of the kind quoted is inaccurate. Technically they might be right. As a result of recent cases there seems to be a tendency to avoid any attempt to certify to the absolute identity of the figures in books and published accounts. Everybody knows that there are

unimportant entries in books which have no bearing at all upon the general financial condition of the company, and it may be unwise to spend the time and incur the expense involved in verifying all these minutiae. It is certainly not worth while. But suppose the accountant does certify the absolute verisimilitude—who cares really whether the accounts are in accordance with the books or not if they are in accordance with the facts? The books are merely a record currently kept and it is not at all uncommon to offset an earlier entry by correcting entries later in the year. At the end of the year the accounts, if strictly in accordance with the books, would have to show all these developments and that, of course, would be absurd. It might be well for accountants to give consideration to the possible desirability of adopting a new form and, instead of discussing the resemblance of accounts to books, report that the accounts apparently reflect the true condition of affairs.

**Plain Words Are
Wanted**

We hope sincerely that the word "certify" may be washed away as the result of litigation or merely as the result of development. Accountants should report, not certify. They should report, perhaps, that the published accounts above their signatures represent what they believe to be the actual condition of affairs. If they do that they will supply all the information that can be desired. We are going through a period of transition in accountancy. Some of the old and treasured traditions are being swept out. Perhaps while we are at it we may as well make a clean job of the whole affair and start anew with a language which means something. It would be desirable to hear no more of the foolish expression, "I certify that in my opinion," the equally ridiculous, "I certify that the balance-sheet and profit-and-loss account are in accordance with the books," and a score of other archaic expressions. Instead it would be well to have a simple straightforward statement to the client that "I or we, the accountant or accountants, have examined the records of the company both in the books and elsewhere and as a result of our investigation we believe that the condition of affairs of the company is correctly shown in the accompanying statements." The man in the street could understand that and, if the statements were prepared in a manner in harmony with ordinary intelligence, the man in the street could know pretty well how the

company stood. Let us leave ritual, get down off the rostrum and mingle a little with the multitude.

Frankly Solicitous A correspondent draws attention to an advertisement which appeared in a New York paper. The advertisement reads, "College man of personality and salesmanship, by firm certified public accountants to visit their prospective clients; commission with opportunity further development." The correspondent who sends us this thing says that the subterfuge is excellent. What subterfuge? It looks to us like a very frank statement of a desire by a firm of accountants to employ a solicitor. Fortunately, for the reputation of the advertiser, the advertisement is anonymous. It is, of course, a great pity that such an advertisement should appear in a reputable newspaper. Beyond that there is nothing to be said.

A Ray of Light Even in times like the present there are accountants who maintain their mental poise and their innate sense of humor. A much esteemed practitioner in Salt Lake City writes:

"The auditor's job is generally very serious and prosaic, but once in a while he meets with a bit of humor which, if passed on, may induce some matter-of-fact auditors to smile even in these times.

"In a town recently audited by us the chief of police who receives a small monthly stipend was given extra work one month to clean up the streets. His claim read: 'Cleaning streets and chief of police.'

"In a small county one Peter Cook was a deputy sheriff. We found a claim for services, 'Assisting Peter Cook in drug store robbery.'

"A few years ago the writer met with a ledger account for 'Undivided Prophets'."